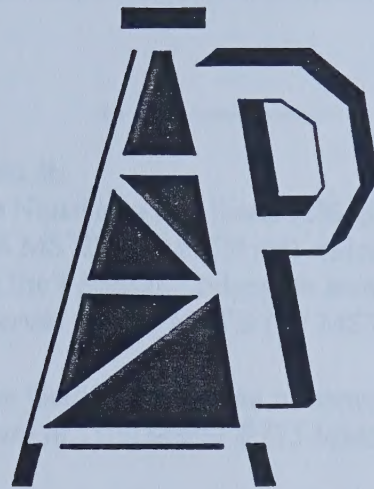




PLEXUS ENERGY LTD.

1996

Annual Report

MESSAGE TO SHAREHOLDERS

Plexus Energy Ltd. has been listed for trading on the Alberta Stock Exchange (Symbol "PXU") since September 2, 1996. During the period September 2, 1996 to December 31, 1996 the company shares were listed at \$0.40 per share, and closed December 31, 1996 at \$0.91 per share, an increase of 127%.

Revenues from acquired production properties have, since initial listing, contributed cash flow greater than forecast, due primarily to oil price increases that occurred in the months following the closing of the property purchase transactions.

The company currently holds interests in:

- a) two (2) producing oil wells in the Nipisi area of Alberta (2% Gross Overriding Royalty) with estimated proven/production reserves of 744 MSTB (15 MSTB net) and production of 508 STB/D (10 STB/D net);
- b) seven (7) producing oil wells in the Pembina-Lodgepole area of Alberta (9% Working Interest) with estimated proven producing reserves of 218 MSTB (19 MSTB net) and production of 90 STB/D (8 STB/D net);
- c) one (1) producing gas well in the Golden Spike area of central Alberta (6.8% working interest) with estimated proven producing reserves of 1100 MMSCF (75 MMSCF net) and production of 830 MSCF/D (56 MSCF/D net).

All reserve figures were determined by an independent consulting firm and reflect the status at December 31, 1996.

Plexus, through its U.S. subsidiary Plexus Resources Inc, is concentrating its efforts on exploration, with current emphasis on the Oklahoma-Arkansas areas.

The company has acquired acreage on two prospects in Oklahoma (Madden and Sand Creek) and one in Arkansas (Bonanza).

Oklahoma:

The Madden play is a Wilcox sand oil prospect in which the company owns a 37.5% working interest in 123 acres. Wilcox sand oil producers are characterized by high initial producing rates, leading to early payout of drilling and completion costs. A 3D seismic survey is being run to confirm the initial drill site location. Sand Creek is a shallow Morrow sand gas prospect with the potential of being 3 sections in areal extent and potential reserves in the order of 6 BCF (based upon other on trend Morrow sand pools). Plexus has a 50% working interest in approximately 1360 prospect acquired areas.

Arkansas:

The company has, in association with one other joint venture partner, acquired lands within the Bonanza prospect area and is continuing to work toward the goal of securing a significant land position for the prospect. The Bonanza play has multi-zone potential with offsetting wells having recoverable reserves of 10 to 40 BCF. Plexus currently has a 50% working interest in the Bonanza prospect.

Arkoma Project - Eastern Oklahoma to Western and Central Arkansas

During the fourth quarter of 1996 Plexus, along with three other partners, entered into an extensive joint venture exploration program to explore for gas reserves within the Arkoma Basin extending from Eastern Oklahoma to Central Arkansas. Plexus, along with each partner, will participate equally as to a 25% gross working interest in the joint venture. The principals of each of the companies have extensive exploration and production experience, including past direct involvement in the Southwestern United States.

A Tulsa based company was formed to operate on behalf of the joint venture group and is managed by and staffed with highly competent and experienced U.S. professional petroleum industry personnel. The manager has over 40 years exploration and management experience, including that as regional manager for a 29 state area for a major multinational petroleum industry corporation. He has had several technical papers published relating to exploration within the Arkoma basin and is responsible for providing the project with 3600 miles of proprietary seismic. The use of this information along with that of additional purchased seismic data (4300 miles) has given the project a significant advantage in terms of time and monies to identify potential prospects. A total of 15 prospects have been identified as of December 31, 1996. The positive technical evaluation of these prospects resulted in the initiation of an aggressive land purchasing program during the fourth quarter of 1996. A total land budget of \$1,000,000 U.S. (\$250,000 per company) was approved to acquire an estimated 30,000 lease acres.

The prospects vary in drilling depth from shallow and medium depth (2,000 - 5,000 ft) in the Pennsylvanian sand reservoirs, to deeper exploration test depths (8,000 - 12,000 ft) in the Hunton-Arbuckle carbonate reservoirs. These two play types are commonly found in conjunction with one another, with the Pennsylvanian having multi-zone potential. Reserves range from approximately 2 BCF per section for the shallower Pennsylvanian sands to 40 BCF per section for the deeper Hunton-Arbuckle carbonate reservoirs.

It is expected that sufficient leases will have been acquired to initiate drilling on a number of the prospects during the latter part of 1997. Drilling activity will then continue into 1998 as further leases are acquired and additional prospects are developed by the group.

The officers and directors of Plexus consider the Arkoma project to hold tremendous potential for the finding of large type gas reserve pools (300 to 500 BCF). We are confident that this potential, in addition to the development of substantial reserves in the lower risk shallow to medium depth reservoirs, will result in the company achieving its goal of increased growth and value for all shareholders.

On behalf of the Board of Directors

A. J. Morris
President

PLEXUS ENERGY LTD.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

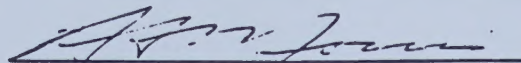
Notice is hereby given that the Annual and Special Meeting of the Shareholders of PLEXUS ENERGY LTD. (the "Corporation") will be held at the McDougall Room A, The 400 Club, 710 - 4 Avenue S. W., Calgary, Alberta, on Thursday, the 12th day of June, 1997 at the hour of 2:00 o'clock in the afternoon (Calgary time) for the following purposes:

1. To receive the consolidated financial statements of the Corporation for the year ended December 31, 1996, together with the report of the auditors thereon and the report of the directors;
2. To elect directors for the ensuing year;
3. To appoint auditors and authorize the directors to fix the remuneration of such auditors; and
4. To consider, and it thought fit, pass, with or without amendment, a resolution to authorize the Directors of the Corporation to complete private placements of Common Shares, as set forth in the Management Information Circular accompanying this Notice;
5. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Shareholders who are unable to attend the meeting in person and who wish to ensure that their shares will be voted are requested to complete, sign and deposit the enclosed form of proxy with Montreal Trust Company of Canada, 6th Floor, 530 - 8 Avenue S. W., Calgary, Alberta, T2P 3S8 by no later than noon (Calgary time) on the last business day preceding the day of the meeting, otherwise the instrument of proxy will be invalid.

DATED at Calgary, Alberta, this 1st day of May, 1997.

By Order of the Board of Directors



Al J. Morris, President

PLEXUS ENERGY LTD.
MEETING OF SHAREHOLDERS
June 12, 1997

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

The information contained in this circular is furnished in connection with the solicitation by management of PLEXUS ENERGY LTD.(the "Corporation") of proxies to be used at the Annual and Special Meeting of the Shareholders of the Corporation (the "Meeting") to be held on Thursday, the 12th day of June, 1997 at 2:00 o'clock in the afternoon (Calgary time) and any adjournment thereof for the purposes set forth in the accompanying Notice of Annual and Special Meeting ("Notice of Meeting").

The solicitation of proxies is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the form of proxy, Notice of Meeting and this Management Information Circular will be borne by the Corporation. In addition to the use of mails, proxies may be solicited personally or by telephone by directors, officers and employees of the Corporation, who will not be remunerated therefor. The cost of the solicitation will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

A Shareholder has the right to appoint a person or company (who need not be a shareholder) to represent him at the Meeting other than the persons designated in the enclosed proxy form and may do so either by inserting the name of his chosen nominee in the space provided for that purpose on the form and striking out the other names on the form, or by completing another proper form of proxy. In any case, the form of proxy should be dated and executed by the shareholder or his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is deposited with Montreal Trust Company of Canada, 6th Floor, 530 - 8 Avenue S. W., Calgary, Alberta, T2P 3S8 by no later than noon (Calgary time) on the last business day preceding the day of the Meeting.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it, any time before it is exercised, by instrument in writing executed by the shareholder or by his attorney authorized in writing and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the Meeting, or any adjournment thereof.

ELECTION OF DIRECTORS

The Articles of the Corporation provide that the Board of Directors shall consist of a minimum of one (1) and a maximum of nine (9) directors. Directors are elected annually and hold office until the close of the next Annual Meeting of Shareholders or until he ceases to be a director by operation of law or until he resigns. The Corporation currently has four (4) directors and it is proposed to elect four (4) directors at the Meeting.

Hereinafter set forth are the names of the persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy solicited hereby unless the shareholder directs that his shares be withheld from voting in the election of directors. Each director will hold office until the next annual meeting or until his successor is elected or appointed.

In the following tables and notes thereto is stated the name of each person proposed by management for election as a director, the positions and offices with the Corporation held by him, if any, his principal occupation or employment, the period or periods of service as a director of the Corporation and the approximate number of Common Shares of the Corporation beneficially owned by him or over which he exercises control or direction as of the date hereof:

<u>Name and Office</u>	<u>Principal Occupation During Past Five Years</u>	<u>Director Since</u>	<u>No. of Shares</u>
Al J. Morris President	President of the Corporation since February 14, 1996; President of Cluain Investments Ltd. since 1980	February 14, 1996	1,046,000 (1)
Robert R. Hobbs * Secretary	President of R.R. Hobbs Financial Consultants Ltd. since 1983	February 14, 1996	1,090,400 (2)
Robert A. McPherson *	President of Hampton Court since April, 1996; Consulting Geologist	February 14, 1996	300,000
Frank P. Elliott *	President of Peregrine Oil and Gas Ltd. since June, 1995; Consulting Geologist	February 14, 1996	600,000

* Member of Audit Committee

(1) 245,000 Common Shares are also held by the spouse and children of Al J. Morris.

(2) 111,400 Common Shares are also held by the spouse of Robert R. Hobbs.

Directors' Options

The following are the particulars of stock options granted to the executive officers and the directors of the Corporation during the most recently completed fiscal year of the Corporation:

<u>Date Option</u> <u>Granted</u>	<u>Number of</u> <u>Common Shares</u>	<u>Expiry</u> <u>Date</u>	<u>Exercise</u> <u>Price</u>	<u>Market Value</u> <u>At Date of Grant</u>
July 25, 1996	798,000	July 24, 2001	\$0.40	\$0.40

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Reference is made to the second paragraph under the heading "Executive Compensation" in relation to the Consulting Agreements between the Corporation and each of Cluain Investments Ltd. and R.R. Hobbs Financial Consultants Ltd.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy solicited hereby (unless the shareholder directs therein that his shares be withheld from voting in the appointment of auditors) to appoint the firm of Davis, Daignault, Schick & Co. as auditors of the Corporation to hold office until the next annual meeting of shareholders. Davis, Daignault, Schick & Co. were first appointed auditors of the Corporation on February 14, 1996.

MANAGEMENT CONTRACTS

Reference is made to the second paragraph under the heading "Executive Compensation" in relation to the Consulting Agreements between the Corporation and each of Cluain Investments Ltd. and R.R. Hobbs Financial Consultants Ltd.

PARTICULARS OF MATTERS TO BE ACTED ON

In addition to the election of directors and appointment of auditors, the following matter will be acted on at the Meeting:

Private Placements

The directors wish to obtain the approval of the shareholders to authorize private placements, prior to the next annual meeting of the shareholders, of up to 11,000,000 Common Shares of the Corporation, at such prices discounted from market at the time that the shares are proposed to be issued as may be allowed pursuant to the policies of The Alberta Stock Exchange (the "Exchange"). Pursuant to the policies of the Exchange, the Corporation is not entitled, during any six-month period to issue a number of Common Shares in excess of 25% of the total

3. Any director or officer of the Corporation is authorized and directed for and on behalf of and in the name of the Corporation to do all acts and things and to sign, execute and deliver all declarations, documents, instruments and writings as may be necessary or advisable to give full effect to and to complete the issuance of additional common shares of the Corporation.
4. The directors of the Corporation shall not be required to proceed with the issuance of additional common shares of the Corporation if they, in their sole discretion, determine not to do so. "

OTHER MATTERS

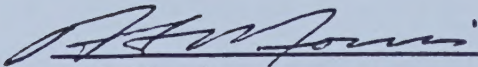
Management is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. If other matters come before the Meeting it is the intention of the individuals named in the form of proxy to vote the same in accordance with their best judgment in such matters.

EFFECTIVE DATE

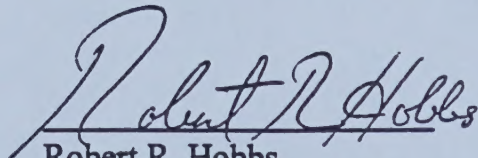
The information contained in this Management Information Circular is given as of May 1, 1997.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED: May 1, 1997



Al J. Morris
Chief Executive Officer



Robert R. Hobbs
Chief Financial Officer

